

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement)
Baseline Negotiated Service Agreement)
With Washington Mutual Bank)

Docket No. MC2006-3

OFFICE OF THE CONSUMER ADVOCATE INTERROGATORY
TO UNITED STATES POSTAL SERVICE WITNESS ALI AYUB
(OCA/USPS-T1-6)
(April 7, 2006)

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits an interrogatory and request for production of documents. Instructions included with interrogatories OCA/USPS-T1-1-5 are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T1-6. This interrogatory seeks information that could assist in the evaluation of financial risk to the Postal Service from the proposed NSA.

- a. Article II, Paragraph F, of the NSA refers to a “published figure” for “domestic active credit card accounts.”
 - i. Where is this figure published?
 - ii. Please provide this figure for 2003, 2004, and 2005.
- b. Article II, Paragraph C, subparagraph 3, of the NSA states that correspondence with non-cardholders will count toward thresholds.
 - i. Did you or the Postal Service inquire of WMB as to previous annual volumes of such correspondence? If so, what was the response? If not, why not?
 - ii. Please provide the annual volumes of such correspondence for 2003, 2004, and 2005.
 - iii. Is such correspondence considered “customer mail” or “solicitation mail” for purposes of Article II, Paragraph K, subparagraph 1, of the NSA?
 - iv. Does such correspondence count toward the volume commitment of Article II, Paragraph J, of the NSA?
 - v. Is such correspondence included in the graph on page 18 of your testimony? If so, where?
- c. Article II, Paragraph J, of the NSA is entitled “Solicitation Mail Volume Guarantee.” It includes the sentence, “If, in any year, Washington Mutual fails to meet this commitment, *the Postal Service may terminate this agreement*, and Washington Mutual will pay the Postal Service \$250,000.” (Emphasis added.)

- i. Is the payment of \$250,000 contingent on the Postal Service's terminating the agreement?
 - ii. Why is there a termination clause here, given the unconditional right of the Postal Service to terminate at any time under Article IV, Paragraph F, of the NSA?
- d. Article III, Paragraph D, of the NSA requires WMB to pay \$250,000 if it fails to mail at least 375 million First-Class Mail pieces in Year 1.
- i. Is this \$250,000 in addition to the \$250,000 penalty in Article II, Paragraph J, of the NSA? If not, why not?
 - ii. Why is there no termination clause in Article III, Paragraph D, given that there is such a clause in Article II, Paragraph J, of the NSA?
 - iii. If WMB fails to mail at least 375 million First-Class Mail pieces in Year 1 *and* the Postal Service terminates the agreement, would WMB owe \$500,000 to the Postal Service? If not, why not?
 - iv. If WMB mails 490 million First-Class Mail pieces in Year 1 *and* the Postal Service terminates the agreement, how much would the Postal Service make from the agreement? Please provide all calculations and sources used.
 - v. What is your current estimate of the likelihood that WMB will fail to mail at least 375 million First-Class Mail pieces in Year 1?
 - vi. What is your current estimate of the likelihood that WMB will fail to meet its commitment under Article II, Paragraph J, of the NSA?

- vii. What is the expected value to the Postal Service of the two \$250,000 penalty clauses in the NSA?
- e. Article II, Paragraphs F, G, and I, of the NSA contain threshold adjustment clauses.
 - i. Are there any other threshold adjustment clauses in the NSA? If so, please identify them.
 - ii. If WMB were to mail 900 million First-Class Mail pieces in Year 1, would this volume, by itself, trigger a threshold adjustment for Year 2? If so, how?
- f. Are there risk mitigation provisions in the NSA other than those previously discussed in this interrogatory? If so, please identify them.